**Before the**

**FEDERAL COMMUNICATIONS COMMISSION**

**Washington, D.C. 20554**

| | | |
|---|---|---|
| In the Matter of | ) | |
| | ) | |
| Universal Service Contribution Methodology | ) | WC Docket No. 06-122 |
| | ) | |
| A National Broadband Plan For Our Future | ) | GN Docket No. 09-51 |

# REPLY COMMENTS OF THE UNIVERSITY OF ALASKA

The University of Alaska (UA) is pleased to submit these reply comments in the Federal Communications Commission's *Further Notice of Proposed Rulemaking* (FNPRM) on the reform of the Universal Service Fund (USF) contribution methodology. Given the remarkable national transtion from traditional analog telephony to a digital telecom environment that has occurred since the passage of the 1996 Telecommunications Act, it is an appropriate time to re-examine possible USF contribution methodologies to determine the one by which the public goals of universal telecommunication services can be most fully and economically achieved and maintained.

UA addresses the following topics in its reply comments below:

1. **Who We Are**
2. **The Importance of the USF Contribution Methodology**
3. **An Insufficiently Developed Public Record**
4. **The Failure of Revenue-Based Methodology Opponents to Explain Their Alternatives**
5. **The Lack of Discussion on the Contribution Base**
6. **Further Research Is Needed**
7. **Broadband Needs of Higher Education**

**1. Who We Are**

As described in previous filings, the University of Alaska (UA) provides post-secondary education, certificate and degree programs, and vocational and workforce development throughout Alaska and, increasingly, it does this by providing statewide distance education opportunities. With campuses in three major urban centers (Anchorage, Fairbanks and Juneau) and community colleges in eleven rural hub communities, the University relies heavily on broadband in its daily operations for the delivery of educational content throughout the state. A significant part of UA's budget already goes to telecommunication costs and to the maintenance of what the Commission has described as "sufficiently robust" bandwidth, whenever and wherever it is available. Yet UA continues to find itself at a disadvantage in providing educational services to its most needy constituents: those in isolated, remote communities. UA has found that satellite-delivered broadband, which serves the greater part of the state, is simply neither robust nor affordable enough for purposes of distance education and does not provide the same quality of service as terrestrial broadband technologies.

UA’s interest in USF reform in general and these dockets in particular is due to our commitment to the many enrolled and potential students in rural and remote areas of Alaska who need faster, more reliable and affordable connectivity for purposes of distance education. UA believes that maintaining an informed state citizenry - one interested in and knowledgeable about developments in advanced telecommunication technologies and their deployments - is an essential component in maintaining public support for and confidence in universal service, which is key to the eventual deployment of affordable, high-speed broadband to all Alaska communities.

For these reasons UA is particularly interested in fully understanding the Commission’s contribution methodology reform as it proceeds since it will determine the USF capacity to ensure universal telecommuncation services in rural and remote areas of Alaska and elsewhere, as well as the scope of the supported services. In other words, the statewide health of the Alaska telecommunication industry and the state’s abiity to more fully diversify its resource-based economy is highly dependent on the outcome of the Commission’s contribution methodology reform efforts.

**2. The Importance of the USF Contribution Methodology Reform**

The two dockets soliciting comments on the USF contribution methodology reform are perhaps the most important among all the Commission’s USF reform-related dockets. Once reply comments are filed, WC Docket No. 06-122 and GN Docket No. 09-51 will be *the final public record* for those wanting to understand the basis of the Commission’s ensuing reform rules on how universal will work in the future. Contribution methodology reform will not only define anew how the money flows in and out through USAC, but also the range of funding which can be collected[1] and, consequently, what the USF can realistically accomplish in the coming years.

**3. An Insufficiently Developed Public Record**

In understanding changes in public policy, both economists and historians seem to agree that it is essential to "follow the money." Any deep understanding of a reformed collection methodology must therefore depend on an understanding of the financial USF reform options currently available, options which have neither been fully identified nor fully articulated in existing docket comments. Since telecommunications services customers will continue - collectively - to pay the USF bill no matter what methodology is chosen by the Commission, it is imperative that the foundation for a new and better understanding of the contribution methodology should be built upon a common level of stakeholder and public understanding developed in a public record. That way, individual stakeholder positions can be well understood not only by the Commission but by all other stakeholders and the general public as well.

Unfortunately,with less than 100 comments filed, most of which are relatively short and highly selective in their analysis and responses to the Commission's questions, the existing public record is insufficent to promote a good understanding of USF contrbution methodology options, even among the community stakeholders, and it is unlikely that the reply comments will do much to clarify matters. It is hard to say why there was such a remarkably small number of comments for such an important subject matter, one which could ultimately determine: (1) the success of the transition from the High Cost fund to the Connect America Fund; (2) the Low Income fund's capacity to

[1] Based upon how the Commission decides to define the USF contributor base.

increase penetration of the Lifeline program among eligible families and individuals; (3) the E-Rate programs ability to meet current and future demand; and (4) the overall capacity of USF to meet the special needs of Native Americans. Perhaps it is the fact that, no matter how burdensome the current USF administrative requirements may be, most incumbent program beneficiaries find tinkering with the existing revenue-based methodology preferable to an unfamiliar or unknown alternative, i.e., current benficiaries feel they potentially have more to lose should there be a dramatic change of methodology. Isn't the lack of an informed discussion on alternative methodologies, if not the limited number of alternatives identified, ample evidence that a large number of stakeholders are unsure of how these methodologies would be structured and what changes they would bring about?

**4. The Failure of Revenue-Based Methodology Opponents to Explain Their Alternatives**

The record of comments filed reveals inadequate descriptions of the potential impact a connections-based or numbers-based methodology might have on existing USF programs and beneficiaries, not to mention the paucity of FCC, academic or industry research on just how these methodologies might be administered. As Verizon and others point out, alternatives to the current revenue-based approach all raise serious challenges which need to be addressed:

> "Similarly, while the alternatives to a revenue-based contribution system outlined in the Notice offer potential benefits, they also raise significant questions. In principle, a telephone numbers-based system or a connections-based system could avoid the difficult line-drawing required by a revenue-based system. In the past, Verizon has supported a contribution mechanism based on in-use working telephone numbers. However, perceived shortcomings with that approach generally have led to "hybrid" proposals, such as systems that would assess both numbers or revenues or numbers and connections, which offset the positive attributes. By the same token, although a connections-based contribution methodology also has some merit, it faces two primary challenges that have yet to be overcome: first, the challenge of developing a definition of "connection" that is workable for all technologies and, second, the challenge of developing fair and stable speed or capacity tiers upon which contributions would be based."

The Commission has provoked more questions than answers in response to its FNPRM, while too many comments seem to offer vague, unsubstantiated opinions rather than rigorous conclusions based on data-driven, logical arguments.

**5. The Lack of Discussion on the Contribution Base**

A second shortcoming in the comment cycle of the contribution methodlogy reform dockets involves the general reluctance of commenters to address ways of expanding the contrbution base. Perhaps commenters were just waiting to respond to others on this issue in the reply cycle. Whatever the cause, most comments fail to discuss ways of expanding the contribution base. The decision to expand the contribution base itself, to broadband or other telecommunication services, must itself be considered in choosing the most appropriate contribution methodology since any expansion may require a different methodology than the current revenue-based approach. Even those comments which advocate a change such as the inclusion of broadband seemingly ignore or minimize the potential impact on institutional and household budgets if USF fees are expanded to include broadband, i.e., the expansion of the USF revenue-based methodology to include broadband *would obviously mean an increase in the cost of broadband*.

How such an expansion might be implemented in a fair and equitable manner (for example, whether by means of the size of the connection, an adjustable usage-driven fee, or a fee based on whether the per megabit cost is above or below the national average) has not been explained in any detail. In the future, all USF fees should be designed to place a deflationary pressure on assessed telecommunications services rather than an inflationary pressure.[2]

Theoretically the expansion of the contribution base might mean that the contribution rate would fall and that the overall amount contributed by any particular institution or household might be approximately the same - or even less - because of the expanded contribution base, *but where is the data to support such assumptions*? There is little doubt, given the pressure on E-Rate to expand available funding to meet both Priority1 and 2 demands that the USF contribution rate might need to increase after an initial dilution of fees due to an enlarged contribution base, but to what an extent? Where are the projections for such an eventuality? Once again, Verizon has ably summarized some of these concerns:

> "Some parties urge the Commission to assess USF contributions on broadband revenues. Notice ¶ 65. Doing so would indeed expand the size of the contribution base and reduce the contribution factor. Id. ¶ 69-72. However, this proposal would mark a significant departure from the current system and raises significant issues that the Commission should carefully study before deciding whether to extend USF assessments to broadband revenue. At the outset, imposing USF contribution requirements on broadband would run counter to many of the Commission's policy goals, including specifically its goals of achieving increased broadband adoption and promoting broadband deployment.52 Extending the universal service contribution obligation to include broadband services would increase the contribution burden for households with both voice and broadband service. Although broadband adoption is influenced by several factors other than price, the differential in contribution burden between voice-only and voice/broadband households may affect adoption by some households.53 Accordingly, the Commission first should understand fully the consequences for customer purchasing decisions if USF contributions were to be imposed on broadband services."

UA would like to encourage the Commission to include E-Rate eligibility for rural, Native American Serving Institutions, and tribal colleges, which are subject to the same disabilities as rural schools

---

[2] Currently, because business broadband pricing is treated as proprietary by many providers, comparative broadband pricing for anchor insitutions is difficult to attain, making it almost impossible to to track whether broadband costs are systematically increasing or decreasing under E-Rate, not to mention the difficulty this makes for end-user enforcement of E-Rate's "lowest corresponding price" rule.

and libraries when it comes to broadband deployment, but how can such program changes be contemplated if the reformed contribution methodology is incapable of raising adequate funding for these purposes? How will rural Alaskans, some of whom continue to live a susbsistence lifestyles in largely cashless economies, ever reap the benefits (e.g., personal safety) of *individual* cellphones when Lifeline elgibility is restricted to economic household units?[3] Savings made through the elimination of waste, fraud and abuse are only going to go so far.

**6. Further Research Needed**

To get answers to these and many other questions into the public record before the Commission reaches consensus on a reformed contribution methodology, UA urges the FCC to pause in its deliberations long enough to internally undertake, or externally commission, several short studies to identify and examine (a) alternative contribution methodologies, and (b) strategy options for expanding the contribution base. During the same hiatus, the Commission might also encourage academia and industry through an RFI to conduct sufficient research to produce backgrounders and white papers on these issues that will better inform the stakeholders and the communities they represent as to exactly what is "at stake."

For example, one might argue that telecommunication service revenues are increasingly traffic- or data-based and fluctuate widely with the general state of the economy in as much as a substantial part of the consumer base still views broadband as a luxury. In contrast, a connection-based mechanism might provide overall stability in time of recession since consumers would be much more likely to reduce usage than to severe connections. Are these valid distinctions to be drawn

[3] Given their immobile nature, landlines are no longer the best personal lifelines. How many reading these reply comments *share* their cellphones with other users? Why should those eligible for Lifeline support be required to share theirs?

between the two methodologies? Can the technical complexity underlying a revenue-based contribution mechanism still actually distinguish between intrastate, interstate, and international traffic, or even PSTN and non-PSTN traffic, and at what overhead cost? Which collection methodology is the least anti-competitive, e.g., is the existing USF administrative burden in itself anticompetitive to the extent that it presents a significant barrier to entry for new ETCs, particularly for smaller, entrepreneurial companies? How accurate are the current self-reports of revenues by ETCs? Stakeholders and consumers want to know the answers to these questions and others in order to be well-informed consumers of telecommunication services.

**7. Needs of Higher Education**

UA supports the comments of the Higher Education Associations (HEA), endorsed by Educause, AAU, ACE, APLU, AASCU and NACUBO, in which it is noted that a "numbers-based" collection mechanism would probably have a significant negative impact on colleges and universities. UA also agrees that the public policy reasons justifying the 1997 FCC decision (which categorized non-profit schools, colleges, universities, libraries and rural health care providers as *end users* rather than *telecommunications providers*) are just as valid today as they were fifteen years ago. As a result of that decision, colleges and universities have continued to pay USF charges to their telecommunications carriers, just as residential subscribers do.

The HEA comment goes on to state that FCC's past treatment of on-campus communications networks and services as non-assessable with respect to USF fees should be continued since much of their member network traffic is on-campus, does not involve the PSTN, does not compete with common carriers, and usually runs over self-provisioned internal networks operated by the institutions themselves. Under a revenue-based methodology, cloud computing and other interstate

IT outsourcing to private enterprises should be adequately captured through traditional telecommunications bills.

Finally, UA itself, along with other research universities across the continental U.S. and in Hawaii, need to do “big data” science from rural campuses and in remote areas. For that to happen, the continued expansion of affordable, high-speed broadband networks into rural and remote areas through USF programs is essential.

Respectfully submitted,

Karl Kowalski
Chief Information Technology Officer
University of Alaska
Office of Information Technology
910 Yukon Drive, Suite 103
Fairbanks, Alaska 99775
Phone: 907-450-8383
http://www.alaska.edu/oit

August 6, 2012